

Name _____



Date _____

Balancing Your Checkbook

By Patti Hutchison

"This is not very easy," Kate told Josh. She was teaching him how to balance his new checkbook. "Balancing your account means making your records match with the bank's records. That way you will know exactly how much money you have in your account. It's something you should do every month."

Josh had brought his bank statement and his check register, just as Kate had told him to do. They got right to work.

"First," Kate said, "match the checks listed on your statement with the ones you have written in your check register. Make a check mark in your register next to each one that is shown as paid on your statement for this month. Also mark each debit or ATM withdrawal."

Josh marked off each withdrawal, just as Kate told him to do. "That wasn't so bad," he said. "What's next?"

"Now, go through your register again, and write down the amount of each check that is outstanding. That means it is not listed on your statement. The check has been written, but it hasn't been paid by the bank yet." Kate handed him a piece of paper to make his list.

Josh found all the checks in his register that didn't have check marks by them. These were his outstanding checks. He listed the amounts on a piece of paper.

"Now add them all up. Put the total at the bottom of the column," Kate told Josh. "Then write the balance shown on the statement at the top of another column. Josh followed Kate's directions. "Now list any deposits you have made since the closing date of the statement underneath that balance. These are your outstanding deposits. Add the statement balance plus the total of the outstanding deposits."

Josh totaled the statement balance and the deposits he had made recently. He wrote the total at the bottom of that column. "Now what?" he asked Kate.

"You're doing a great job," Kate told him. "Now subtract the total of the outstanding checks."

Josh used his calculator to find the amount. He wrote it down at the bottom of the second column on the paper.

"Now find the monthly service charge on your bank statement. Write this in your check register. Subtract that amount to get a new total in your register," Kate said.

Josh did exactly as she told him to.

"The amount you wrote on the balance sheet should match what you just wrote in your check register," Kate explained.

Name _____



Date _____

Josh looked at the paper and at his check register. "It does match!" he exclaimed. "I thought I'd made a mistake because my register didn't match the balance on my bank statement."

"This is the amount you really have in your account," Kate said. "That is, until you make another transaction."

"That's amazing," Josh said. "And it really wasn't that hard to do."

"I'm glad you think so," Kate told him. "Just remember to do it every month when you get your statement. If the amounts don't match, try doing it again. If you think the bank has made a mistake or if you have a question, give us a call. We'll be happy to help you."

"You are a great teacher," Josh said. "Thank you so much for helping me with my new checking account. I've really learned a lot."

"You've caught on really quickly," Kate said. "Stop back anytime if you have any more questions. See you later!"

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Questions

1. What two things do you need to refer to when you balance your checkbook?

- _____ 2. Outstanding checks are:

- A. checks that have been written but have not been paid by the bank yet
- B. checks that haven't been written yet

3. What is the first step to take when you are balancing your checkbook?

- _____ 4. Deposits made since the ending date of the statement should be subtracted from the statement balance.

- A. false
- B. true

Name _____



Date _____

5. When you are finished balancing, what amounts should match?
